

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

AGR-20 L-03 H-02 IGA-02 RSR-01 /148 W  
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R 252315 Z JUN 73

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC 3112

INFO AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

AMEMBASSY MANAGUA

UNCLAS SAN SALVADOR 2416

E. O. 11652 - N/A

TAGS: EGEN, EAGR, ES

SUBJECT: BASIC GRAINS CRISIS DIMINISHED BY IMPORTS FROM US

REF: A) SAN SALVADOR 1902; B) STATE 115785

GUATEMALA ALSO FOR ROCAP

1. SUMMARY: THE GOES CONSIDERS THE 58,000 MT OF EDIBLE US CORN EITHER RECEIVED OR ON ORDER WILL BE SUFFICIENT TO MEET CURRENT CORN CRISIS. LITTLE HOPE OF RELIEF IS HELD OUT RESPECTING SCARCITY OF HIGH- PRICED BEANS; IMPORTED BEANS, COMPARABLE TO LOCALLY PREFERRED REDS, ARE CONSIDERED TOO EXPENSIVE TO IMPORT. SORGHUM AND RICE SUPPLIES

APPEAR ADEQUATE. THE LEGISLATIVE ASSEMBLY DOUBLED TO \$12 MILLION CENTRAL RESERVE BANK ( BCR) CREDIT TO IRA, THE GOES FOOD STABILIZATION AGENCY, WHICH SHOULD COVER THE APPROXIMATELY \$8 MILLION IN CORN PURCHASES. IRA BELIEVES ITS DIRECT CONSUMER SALES PRICE OF CORN FOR US 6 CENTS LB. ( CWT LIMIT) AND 7.2 CENTS TO WHOLESALER WILL RESTORE MODERATE AND STABLE PRICES UNTIL THE EFFECTS OF THE UNCLASSIFIED

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ANTICIPATED GOOD AUGUST HAREST. SINCE FIRST CORN IMPORTS ARE ONLY NOW BEING DISTRIBUTED THERE IS AS YET NO PUBLIC SIGN OF RELIEF AND PRICES, ALTHOUGH DOWN ABOUT A CENT, ARE STILL US 10 CENTS A POUND. DISTRIBUTION PROBLEMS MUST BE OVERCOME AND HONESTLY MAINTAINED IF THE

WELCOMED IMPORTS ARE TO ACHIEVE IRA'S OBJECTIVE. END SUMMARY.

2. BETWEEN JUNE 14 AND 19 THREE US SHIPMENTS, AMOUNTING TO 23,000 MT, WERE DELIVERED; 3,000 MT WERE YELLOW CORN. THREE FURTHER ORDERS SHOULD PROVIDE ADDITIONAL 35,000 MT TONS, OF WHICH 15,000 WILL BE YELLOW CORN. TO THIS TOTAL 58,000 MT COULD BE ADDED A POSSIBLE 1,800 MT OF WHITE CORN ORIGINALLY SLATED FOR HONDURAS WHICH HAS BEEN OFFERED BY NICRAGUA. IRA HAS INFORMATION THAT IT IS OF KENYAN OR OTHER AFRICAN ORIGIN AND IS HOLDING UP THE CONTRACT UNTIL THE SUPPLIES

PRODUCES CERTIFICATES OF ORIGIN WHICH REMOVES THE FEAR OF IMPORTING FROM COFFEE RUST COUNTRIES ( A REASON WHICH COULD BE MOTIVATING THE GON

TO REFUSE IT). CONCERNING DEPTTEL, 5,000 MT OF THE 15,000 MT ORDER OF YELLOW CORN WAS ORDERED JUNE 21. THE EMBASSY KNOWS OF NO OTHER GOES

OR COMMERCIAL ORDERS AFTER JUNE 20 OR CONTEMPLATED IN THE NEAR FUTURE.

WE ARE PURSUING THIS FURTHER.

3. ALL ORDERS OF US CORN HAVE BEEN ON A CIF PRICE BASIS WITH A GUARANTEE BOND FOR SHIPMENT BY A CERTAIN DATE, THE LATEST BEING JULY 31. BECAUSE OF THIS, IRA IS CONFIDENT IT WILL OBTAIN SHIPPING DESPITE INFORMATION OF SERIOUS SHIPPING BACKLOGS. SINCE THE NEXT HARVEST WOULD NOT BE WELL DISTRIBUTED THROUGHOUT THE COUNTRY UNTIL INTO SEPTEMBER, IRA BELIEVES THAT EVEN SHIP DEPARTURES UP UNTIL JULY 31 WILL ARRIVE IN TIME TO PROVIDE RELIEF. IRA IS WORKING TO IMPROVE DISTRIBUTION FROM THE PORT OF ACAJUTLA TO INTERIOR DEPOTS. CURRENTLY 20 LARGE TRUCKS, MAKING TWO TRIPS A DAY, ARE MOVING A 1,000 MT A DAY TO MAIN IRA DEPOTS.

4. BETWEEN 70 AND 75 PERCENT OF THIS IMPORTED CORN WILL BE SOLD BY IRA DIRECTLY AT A PER POUND PRICE OF 15 CENTAVOS ( US 6 CENTS) BUT WITH A LIMIT PER SALE OF 100 OUNDS. THE BALANCE WILL BE AVAILABLE TO OTHERS, MAINLY WHOLESALERS, WITHOUT LIMITATION, FOR 18 COLONES (\$7.20) A CWT. IRA PLANS TO MIX THE YELLOW AND WHITE CORN. IRA'S SUB-UNCLASSIFIED

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DIRECTOR, CARLOS ALEGRIA, SAID THAT THE GOES HAD NO INTENTION OF RE- APPLYING THE PRICE CONTROLS ON BASIC GRAINS, WHICH WERE LIFTED ON MAY 20, NOR DOES IT INTEND TO PROSECUTE THE VIOLATORS UNDER THAT ILL- FATED SIX- WEEK CONTROL PROGRAM. SR. ALEGRIA SAID IRA CALCULATES THAT SALES AT THE AFOREMENTIONED PRICES WILL COVER ITS DIRECT PURCHASE COSTS. IT WILL ABSORB TRANSPORT COSTS OF ABOUT \$ 200,000.

5. ALEGRIA SAID THE IMPORTED EDIBLE CORN IS COSTING LITTLE OVER \$8 MILLION, WHICH EXCEEDS THE EXISTING \$6 MILLION LINE OF CREDIT FROM THE BCR. ON JUNE 7 THE ASSEMBLY APPROVED AN AUTHORIZATION TO THE BCR TO INCREASE THE CREDIT LINE TO \$12 MILLION. WHILE AWAITING THE LEGAL SIGNATURES ON THIS DECREE, IRA OBTAINED A

\$2 MILLION LOAN FROM THE MINISTRY OF FINANCE.

6. IRA HAS DECIDED IT IS NOT FEASIBLE TO MEET AND RED BEAN SHORTAGE. US EQUIVALENT BEANS ARE FAR TOO EXPENSIVE AND THE AVERAGE SALVADORAN WILL NOT ACCEPT CHEAPER IMPORTED SUBSTITUTES SUCH AS THE AMERICAN WHITE PINTO BEAN. ( IN THIS CONNECTION ALEGRIA SUGGESTS THAT WERE THE US TO INTRODUCE THE PINTO BEAN HERE, IT COULD ESTABLISH A GOOD MARKET FOR THE FUTURE. HE SUGGESTED DISTRIBUTION THROUGHOUT THE COUNTRY FROM A DEMONSTRATION SHIPMENT OF A FEW TONS. HE SAID THAT, AFTER COOKING, THE BEAN IS ALMOST IDENTICAL TO THE LOCAL RED BEAN AND THE FLAVOR IS BETTER.) RED BEANS ARE SCARCE AND WHEN FOUND RETAIL TYPICALLY FOR 60- 65 CENTAVOS ( US 24-26 CENTS ) , COMPARED WITH 30 CENTAVOS A YEAR AGO. LACKING WHAT IT CONSIDERS A VIABLE ALTERNATIVE, IRA WILL ENDURE THE " HEAT" ON BEANS UNTIL THE SEPTEMBER HARVEST.

7. COMMENT: IRA, WITH MINISTRY OF ECONOMY AND AGRICULTURE ASSISTANCE, IS WAGING A PROPAGANDA EFFORT TO CONVINCE THE PUBLIC THAT THE CORN CRISIS HAS PEAKED AND WILL IMPROVE FROM HERE ON. SINCEBOHE RECENTLY IMPORTED CORN HAS NOT YET REACHED MOST DISTRIBUTION POINTS, THE PUBLIC STILL FEELS THE CRISIS AND IN RECENT WEEKS IRA HAS FACED EACH MORNING HUNDREDS OF CALLS FROM MAYORS, REPORTING EXTREME SCARCITY OR ABSOLUTE LACK OF CORN AND BEANS. IF WHAT IRA' ALEGRIA HAS TOLD US IS CORRECT AND THE REMAINING SHIPMENTS ARRIVE BY END- JULY OR SO, THE ROUGHLY 60,000 MT SHOULD BE SUFFICIENT ACCORDING TO OUR ROUGH CALCULATIONS TO COVER CORN REQUIREMENTS. THE LIFTING OF PRICE CONTROLS DID NOT HAVE THE HOPED- FOR EFFECT OF DRAWING INTO THE MARKET PRIVATE

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STOCKS AND IT IS GENERALLY CONCLUDED THAT SUCH AS THERE BE ARE SMALL. DURING THE LEGISLATIVE DEBATE OVER THE INCREASE OF BCR CREDIT, OPPOSITION DEPUTIES STRONGLY CRITICIZED IRA FOR HAVING ACTED SO LATE IN RESPONDING TO THIS SHORTAGE AND THEN SO INEFFICIENTLY. THE MINISTER OF AGRICULTURE MADE A TIMELY ANNOUNCEMENT ON JUNE 2 THAT THE GOES HAD REQUESTED A LOAN FROM AID TO RESPOND TO IRA' S NEEDS FOR INCREASED STORAGE CAPACITY AND FINANCIAL ABILITIES.

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